

Leading Senior Groups Join Coalition Opposing SB 263

KRON 4

Senator Bill Dodd's (D - Napa) Senate Bill 263, sponsored by the California Department of Insurance (CDI), was passed by the Assembly on Monday, February 12, without the implementation of key amendments proposed by consumer protection groups. The coalition of consumer groups opposing SB 263 has now expanded to include the California Alliance of Retired Americans and Californians for Nursing Home Reform. Additional organizations include Consumer Federation of California (CFC), Life Insurance Consumer Advocacy Center (LICAC), the Consumer Federation of America (CFA) and United Policyholders (UP).

SB 263 harms consumers and undermines a Biden Administration proposed federal rule that would enhance consumer protections by creating a so-called "fiduciary" standard where consumer interests are put in front of profits and commissions for complex insurance products. The Biden Administration wants such a rule to govern retirement investment products, including insurance products like annuities, while CDI's sponsored bill, largely written by insurers, would keep consumers uninformed and vulnerable to being victimized by bad insurance sales practices.

The coalition of consumer groups has raised significant concerns over the bill as written. The current version of the bill would mislead consumers into thinking that they are protected by a "best interest" standard when they are not. The groups have joined together to urge legislators to review and amend the bill to provide stronger consumer protections. SB 263 rejects the fiduciary standard favored by the Biden Administration in favor of a standard favored by insurers that is a "best interest" standard in name only. It allows agents to consider their own financial interests in making recommendations to consumers, and it allows agents to lie to consumers by telling consumers they have no conflicts of interest with their customers even when significant conflicts of interest exist.

"SB 263 is flawed as written, with a false sense of protection that misleads consumers," said Life

Insurance Consumer Advocacy Center Executive Director Brian Brosnahan. “We are proud to come together with a coalition of consumer groups to stand against SB 263. We encourage our legislators to reject the bill unless it is amended to add true consumer protections.”

Many consumers have lost tens or even hundreds of thousands of dollars by being steered into complex life insurance and annuity products ill-suited for them. They have been pressured by agents they trusted and by scare tactics and predatory practices.

CDI, by its own admission and data, has 5,000 complaints about life insurance products over the past few years and another 800+ complaints about annuity products. That should be enough to cause strong rules that protect consumers to be written. However, consumer protection groups have been largely ignored.

Read stories from California consumers to learn more about the harm inflicted on them by abusive insurance sales practices: <https://www.lifeinsuranceconsumeradvocacycenter.org/consumer-stories/>

Consumer groups have proposed a compromise approach based on the SEC’s Regulation BI (“Reg BI”). Reg BI includes much stronger customer best-interest requirements and protections against conflicts of interest than does SB 263. Sales of variable annuities are already governed by Reg BI. Adopting Reg BI standards in SB 263 would apply the same standards to fixed annuities as now apply to variable annuities, and the insurance industry has already adapted to these standards without any difficulty.

Read the Oppose Unless Amended letter sent by the coalition to Senate President Pro Tempore McGuire: <https://www.lifeinsuranceconsumeradvocacycenter.org/wp-content/uploads/2024/02/SB-263-Coalition-OUA-Letter-to-CA-Senate-President-Pro-Tem-Mike-McGuire-2.14.24.pdf>